

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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May 21, 2001

Re: Our file Number LR-01-063; Sales tax on fees due upon the return of a vehicle from a retail installment contract.

Dear

This is in response to your inquiry concerning the subject noted above. I have scanned your fact situation into this letter along with your questions. Each question is followed by our response.

Fact Situation

is in the business of providing retail installment contracts for and vehicles. One type of retail installment contract offered by (which will be identified as balloon contract) is a contract not payable in installment of equal amounts. The last scheduled payment (the "balloon payment") is substantially larger than each of the other scheduled payments. In this balloon contract the vehicle is owned and titled by the customer with payments for the vehicle made to At the end of the contract the customer has three options: (1) Pay the balloon payment on or before its due date (2) return the vehicle to (3) at the time the balloon payment is due, refinance the amount remaining due under the contract.

Our question pertains to customers who choose not to purchase the vehicle and return the vehicle to Written in the balloon contract is the following:

"Return the vehicle to us and pay any late charges and other amounts due ...a \$400 vehicle disposal fee, and Excess Wear and Tear Deduction and/or excess mileage deduction."

The excess wear and tear deduction is defined as follows: The excess wear & tear deduction shall be the amount which it would cost to put the vehicle in good working order and condition, whether or not we make the repairs.

The Base Mileage allowed (before the due date of the Balloon Payment) is shown on the face of the contract. The excess mileage deduction is defined as follows: if the mileage on the vehicle at the end of the contract period is higher than shown on the balloon contract, the customer agrees to pay an excess mileage deduction at the rate of 15 cents per mile that exceeds the base mileage allowed.

Questions and Responses

1. Is the amount collected for excess wear and tear subject to tax?

Response: No.

2. Is the amount collected for excess mileage subject to tax?

Response: No.

3. Is the disposal fee subject to tax?

Response: No.

4. Is late charge subject to tax?

Response: No.

This response applies only to the circumstances set out in your request of May 7, 2001. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to contact me.

Sincerely,
OKLAHOMA TAX COMMISSION



Michael G. Pillow
Tax Policy Analyst